WORK SESSION
MONDAY, JUNE 19, 2006
8:00 to 9:30 p.m.

THE VILLAGE OF DEXTER
VILLAGE COUNCIL

Dexter Senior Center, 7720 Dexter Ann Arbor Road

Attendance:

1) Tom Traciak, of ACI Finance –Bonding options and procedures.

2) Review and prioritize list of projects, change (add or delete items).

3) Determine acceptable annual bond payment and develop clear revenue stream for payment.

4) Discuss next steps.

This is a Special Council work session meeting; action will NOT be taken.

"This meeting is open to all members of the public under Michigan Open Meetings Act"

VILLAGE OF DEXTER ddettling@villageofdexter.org
8140 Main Street Dexter, MI 48130-1092 Phone (734)426-8303 Fax (734)426-5614

MEMO

To: President Seta, and Council
From: Donna Dettling, Village Manager
Date: June 19, 2006
Re: Projects identified for General Fund Infrastructure Improvements and Bond Options – Update from Council meeting 5-22-06 Presenter - Tom Traciak of ACI Finance, Financial Advisor

At the Council meeting on May 22, 2006 discussion continued on general fund infrastructure improvements and bonding options/procedures. Below is an update from that meeting.

Council focused on general fund infrastructure improvement projects, listed below are the projects identified at the January planning session

1 Bridge Cost Share	$400,000 (revised per agreement)
2 Westside Connector	$500,000
3. Park (Mill Pond) Restoration	$500,000
4. Sediment Management	$500,000
5. DPW	$800,000
6. Municipal Building	$3,000,000
7. CBD Storm Water Basin	$750,000

Discussed restricting $400,000 in general fund reserve for the Bridge project. The agreement between the WCRC and the Village limits the Village's short term and long term financial exposure to $400,000.

Discussed keeping a decent balance on hand, not using all of the reserves to pay for the DPW facility. Look at bonding for half of the DPW facility and using reserves for the rest A construction estimate will be provided to Council at the June 12th, meeting.

Discussed using general fund dollars to do more street projects, or bonding for street projects and paying for the bond out of street funds

Discussed buying the Wallace property, bonding for the project and working with property owner on terms

Discussed including a modest number in the July 1, 2006 to June 30, 2007 fiscal year budget for a potential bond payment.

Discussed next steps: 1)continue to review and prioritize the list of projects, possibly change list of projects. 2)determine acceptable annual bond payment and develop clear revenue stream for payment. A twenty-year with 5% interest payment on $1,000,000 is approximately $80,000 annual bond payment 3) invite Tom Traciak of ACI Finance to discuss bonding options and procedures. **Included for your review prior to the meeting is a "Project Financing" white paper from Tom Traciak.**

Thanks,

ACI Finance, Inc.
American Community Infrastructure

365 Broken Hills Drive
Mason, MI 48854-8603
Phone 517 / 623-6250
Fax 517 / 623-6252
acifinance@aol com

PROJECT FINANCING

A municipality that desires to finance a project must do so according to State law State law authorizes certain methods by which you can structure and repay the financing. A financing or "obligation" is narrowly defined as bonds or notes. Hence, financings primarily take the form of bond issues with the exception of installment purchase contracts. Bonds require prior approval of the Michigan Department of Treasury for all units involved in the financing.

Unlimited Tax General Obligation (UTGO)

UTGO Bonds are voted issues and are considered to be the most secure bond format However, very few bonds are actually issued in this format. A voted issue can be for a wide variety of public purposes The ballot language may limit the issuance to one bond issue or a "series" of bond issues for the completion of a project and is capped by a dollar amount The ballot language must include an estimation of the simple average millage rate over the life of the issue and the estimated millage rate for the first year levy. The ballot may specifically cap the number of mills, but has the effect of making the issue "limited" tax.

Limited Tax General Obligation (LTGO)

There are several choices that allow for a LTGO pledge. The pledge would be a first budget obligation of the general fund, but is only allowed to the charter or statutory limitation of your millage. Often a referendum period is required for the pledge, and the approval of the Notice of Intent is the first step in the financing process. The Notice of Intent can authorize one or more series of bonds The following are possible LTGO bonds:

Act 34 of 2001 **"Capital Improvement Bonds"**: This allows a county, city, village or township to issue bonds for a wide variety of public purposes A 45 day referendum period is required. The aggregate amount of Capital Improvement Bonds may not exceed 5% of SEV.

Act 31 of 1948 "**Building Authority Bonds**": Previous to Act 34 of 2001, a county, city, village or township was not able to directly issue limited tax bonds for a building project Under Act 31 of 1948 you can form a building authority that can issue the bonds with a limited tax pledge of the community. *The building authority has always seemed like an unnecessary step in the process, which has been remedied with Act 34 of 2001* The Building Authority Act, which is still an option, authorizes the construction of specific types of facilities including most public purpose municipal buildings. It even allows for revenue bonds, which might be useful for such projects as parking structures. Building Authority Bonds count toward the general 10% of SEV debt limit, which is an advantage over the 5% limit for Act 34 Capital Improvement Bonds. There is a referendum period on the limited tax pledge.

Act 197 of 1975, Act 450 of 1980 and Act 281 of 1986 "**Tax Increment**": Various tax increment capture It must be demonstrated, however, that the facility serves the defined area and there is sufficient revenue support. Only a city, not a village or township, has a 45 day referendum period for this format.

Act 99 of 1933, "**Installment Purchase Contracts**": Utilized by cities, villages, and townships, this format has a fifteen-year duration and the total of all outstanding IPCs is capped at 1.25% of Taxable Value. Typically the IPC is used for equipment purchase but may have certain limited application for infrastructure and building projects. The interest rate for an IPC financing tends to be higher than that of a bond issue since the market typically is only banks that will treat the IPC as a bank investment (as opposed to a bond issue that generates bids from brokers as well as banks). Unlike bonds and notes, the IPC does not require Treasury approval.